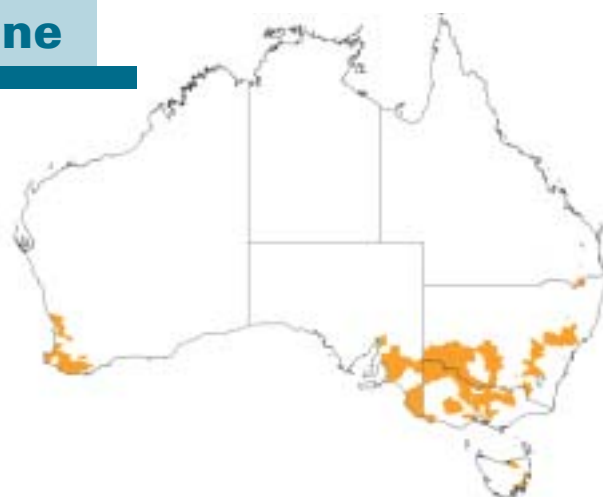


11 Wine grapes and wine



Location

The wine industry is based on approximately 7000 wine grape growers, who supply nearly 1800 wineries. Wine grapes are grown in all states of Australia, with South Australia, New South Wales and Victoria accounting for most of the production. The inland irrigated regions of the Riverina (New South Wales), Murray Valley (Victoria) and Riverland (South Australia) account for approximately 55 per cent of total wine grape production.

Industry features

Australia is the world's sixth largest wine producer and fourth largest wine exporter. Table 19 shows the major features of the Australian wine grape and wine industries, including their size, output, market orientation and position in the global market.

Table 19 Overview of wine grape and wine production and trade

	Unit	1983–84	1993–94	2003–04
World				
Production – grapes	Mt	64.5	54.6	65.5
Trade – wine	Mt	4.9	5.5	6.7 ^a
Australia				
Bearing area (total grapes)	'000 ha	60.2	61.4	146
Average yield	t/ha	na	12.7	13.0
Grape production				
All grapes	kt	843	920	1 983
Wine making	kt	495	662	1 895
Share of world output	%	1.37	1.98	2.90
Gross value of wine grapes ^{bc}	\$m	479	585	1 638
Domestic consumption – wine	ML	315	328	436
Exports of wine				
Volume	ML	8.9	130.6	581
Value ^b	\$m	na	466	2 545
Share of world trade	%	na	2.7	8.7
Imports	ML	9.6	8.1	18.7
Employment				
Grape growing	'000		7.3 ^d	15.5 ^e
Wine manufacturing	'000		8.3 ^d	14.5 ^e

a Food and Agriculture Organization data for 2002–03.

b In 2003–04 dollars.

c Includes table grapes and grapes for drying.

d ABS 1996.

e ABS 2001a.

na Not available.

Sources: ABARE 2004, 2005; ABS 1990, 1996, 2001a,b.

Markets

In farm-gate value terms, 36 per cent of the wine produced on Australian farms in 1999–2000 was exported.

In 2003–04, 998 million litres of Australian beverage wine was sold, with 417.4 million litres sold domestically, an increase of 3.7 per cent on the record level of the previous year. Exports of Australian wine were at a record volume of 584.4 million litres and value of \$2.5 billion.

As recently as 1985–86, Australia imported more wine than it exported. Since then, the trade balance for wine has changed for both quantity and value; by 2002–03, exports exceeded imports by 379 million litres and \$2.3 billion.

Over the past decade, the proportion of Australian wine shipped to the Australian industry's five largest export markets (the United Kingdom, the United States, Canada, Germany and New Zealand) has increased from 77 per cent to around 84 per cent in volume terms. The United Kingdom, the United States and Germany are the three largest importers of wine, and with Canada and New Zealand are responsible for 55.3 per cent of total world imports by value and 47.1 per cent by volume.

- Given the strong likelihood that most of the future expansion in Australian wine production will need to go to export, the industry faces a complex international marketing challenge. It is against this background that the Australian industry is seeking to diversify into new and emerging markets.
- Competition from Chile, the United States, South Africa, Argentina and France, particularly in the UK market, will intensify as new plantings in those countries come into full production.
- Although the growth in exports to emerging markets such as Hong Kong, Singapore, Ireland and Sweden has been generally significant, these destinations currently receive only 5 per cent of Australian wine exports.
- Growth in Australian wine exports to emerging Asian markets will depend on such factors as the potential for increases in per person consumption from a large population base, rising incomes, and the reduction of at times prohibitively high tariffs, taxes and other barriers to trade.

The success of the Australian wine industry has occurred despite the existence of barriers to trade such as substantial government support to producers in the European Union and high tariff rates in some wine-importing countries.

Farm businesses

Principal features of Australian wine-grape producing farm businesses in the Clare region of South Australia and Murray Valley region of Victoria are shown in Table 20. Results for 2002–03 only are reported, as data from previous surveys of these regions are not comparable.

Crop management

Variability in grape production between years has led to an increased focus on yield forecasting and research into the causes of variability. Applied research is focusing on precision viticulture, which involves carefully timed irrigation and harvesting to maximise quality.

Natural resource management

With 84 per cent of Australian vineyards in 2002–03 being irrigated, water-use efficiency is a major issue in the viticulture industry. Most vineyards use micro and drip irrigation, and there have been substantial improvements in this area. For example, in the Riverland in South Australia the amount of water applied per hectare per year has been reduced from an average of 9 megalitres to 6 megalitres.

Research efforts focusing on gene mapping of powdery and downy mildews, the primary diseases of vineyards, have the potential to decrease fungicide application. Other key environmental priorities for the viticulture industry are:

- wastewater generation and disposal
- management of solid waste, including grape marc, filter material and treated timber posts in vineyards
- pesticide use (insecticides, herbicides and fungicides)
- protection of biodiversity and natural ecosystems
- management of conflicting land uses with local communities and other industries
- management of the risks of climate change and variability.



Table 20 **Features of wine grape businesses in the Clare region, South Australia and Murray Valley, Victoria** Average per farm

	Unit	Clare	Murray Valley
Number of businesses		111	1 096
Average performance			
Area operated	ha	55	19
Area under wine grapes	ha	28	10
Area under other grapes	ha	0	4
Area irrigated	ha	24	15
Water applied	ML/ha	0.6	9.8
Wine grape production			
Red wine grapes	ha	21	5
Yield	t/ha	4	15
White wine grapes	ha	7	5
Yield	t/ha	5	16
Production contracted ^a	%	98	75
Net farm cash income ^b	\$	31 702	40 094
Farm business profit ^b	\$	-3 035	8 112
Capital investment ^b	\$'000	1 958	852
Return on capital ^c	%	0.6	3.0
Off-farm income ^b	\$	119	41 257
Largest 25% of farms ^d			
Area operated	ha	90	27
Area under wine grapes	ha	69	16
Net farm cash income ^b	\$	151 480	135 160
Business profit ^b	\$	114 642	103 605
Return on capital ^c	%	3.2	11.0
Other 75% of farms ^d			
Area operated	ha	45	19
Area under wine grapes	ha	16	9
Net farm cash income ^b	\$	-2 276	18 342
Business profit ^b	\$	-35 861	-15 290
Return on capital ^c	%	-1.2	0.0

a Proportion of production contracted to a winery.
 b In 2003–04 dollars.
 c Adjusted to full equity by adding interest paid to farm business profit and excluding capital appreciation.
 d Ranked by value of output.

Source: ABARE Farm Surveys.

Employment and infrastructure

Employment in this sector has grown substantially (from 10 000 in 1991 to 30 000 in 2001) and is divided almost equally between the grape-growing and wine-manufacturing industries. Employment in the wine industry is spread across 16 major and other smaller wine producing areas, and the industry is an important regional activity.

- Employment in the grape-growing industry alone accounted for around 5 per cent of agricultural employment in 2001; 40 per cent of this employment was in South Australia, with smaller proportions in Victoria (28 per cent) and New South Wales (18 per cent).
- Employment in wine manufacturing was similarly concentrated in South Australia, Victoria and New South Wales.

Farmers/managers comprised 43 per cent of those working in the grape-growing industry in 2001; skilled agricultural workers and other industry support occupations made up the majority.



The median age of all people employed in the grape growing industry in 2001 was 45 years, while the median age in the wine manufacturing industry was 39 years.

Between 1991 and 2004, the number of winery establishments tripled to over 1800, with growth concentrated in Victoria, South Australia and New South Wales. However, production is dominated by large companies, with the largest four wine businesses producing 50 per cent of total Australian production in 2003–04.

Institutional arrangements

Peak bodies

The peak bodies of the industry are the Winemakers Federation of Australia (WFA) and the Wine Grape Growers Association (WGGA). The WFA membership produces around 95 per cent of all wine produced in Australia, and the WGGA represents the growers of about 56 per cent of the national harvest. The WGGA was gazetted in September 2004 as an interim body for grape growers while a more nationally representative body is developed.

Marketing and research and development arrangements

The Australian Wine and Brandy Corporation (AWBC) is the Australian regulatory authority for the purposes of maintaining the quality and integrity of Australian wine. An export charge collected from producers of wine exported from Australia, and a levy on wine grapes, provide funds for the AWBC, through the Australian Wine Export Council, to undertake international wine promotional work aimed at creating increased demand for Australian wine. In 2003–04, the AWBC spent \$6.3 million on marketing activities.

The Grape Wine Research and Development Corporation (GWRDC) is the statutory authority that plans and funds collective research and development for the industry. The GWRDC receives funds from wine-grape grower and winemaker levies which attract matching government funding (up to a maximum of 0.5 per cent of industry gross value of production) for eligible research and development expenditure. In 2003–04, the GWRDC spent \$14.2 million on research and development activities. These activities focused on enhancing the efficiency and sustainability of grape and wine production, improving producer capability to manage quality and flavour to satisfy market requirements, fostering technology adoption, and generating market intelligence for strategic planning.



Industry outlook

Some key factors for the future are:

- continued access to Australia's key export markets, maintained by minimising potential technical and other barriers to trade
- the extent to which market-distorting mechanisms, such as high tariffs and subsidies, are reduced
- the ability of Australian wineries to maintain their competitiveness over other internationally produced wines
- future water policies governing the development of a market that results in more economically efficient allocation of water
- increased productivity, achieved through technological improvements and improved on-farm water-use efficiency
- the ongoing globalisation and consolidation of distribution channels
- the development of emerging and embryonic markets in Asia.